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SUBJECT: MADRID WEEKLY ECON/AG/COMMERCIAL UPDATE REPORT

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Agriculture:

[1](#)1. (U) Due to tight global wheat supplies and resulting record world price levels, Spain's wheat importers have sharply reduced their orders of U.S. high-quality wheat. Spanish wheat flour millers have negotiated long-term contracts with domestic bakers, and need high-quality wheat (U.S. or Canadian Northern Spring Wheat) to blend with lower-quality domestic wheat to meet their flour-quality specifications. As a result of these blending needs, Spain has historically been one of the top two European markets for high-quality U.S. wheat.

[1](#)2. (U) In an effort to encourage Spanish wheat importers, U.S. Wheat Associates visited Spain this week to extol the quality of this year's wheat crop. In presentations in Barcelona and Madrid, U.S. Wheat Associates emphasized this year's excellent crop qualities, including high protein content and excellent baking properties. However, given current very high prices, the dearth of orders thus far, and the imminent closing of the St. Lawrence Seaway, the 2006-07 marketing year imports of U.S. high-quality wheat may be well off the nearly 500 thousand metric tons imported last year.

KIPR

[1](#)3. (U) U.S. R & D based Pharmaceutical Industry in Spain continues to seek patent law change: American pharmaceutical industry representatives told Commercial Counselor and EconOff on November 17 that they would continue to seek a change to Spain's patent laws that would provide retroactive product patent protection for drugs that only benefited from process patent protection prior to 1992. The industry intends to cite in its conversations with the GOS a number of court cases it has won recently and continue to make a public policy case for amending the patent law. The pharmaceutical representatives said that the current Minister of Industry seems more receptive to their concerns than his predecessor. American and Swiss government lawyers say that international trade agreements such as TRIPS do not obligate the Spanish government to provide this retroactive protection (drugs protection), but we have made the argument to the GOS that it should continue its dialogue with the sector in order to help roster good conditions for the innovation-based pharmaceutical industry. EconOff explained industry'

priorities to an official at the office of the Presidency on November 21 - the official had no reaction.

#### ECON/AG Biotech Visit

14. (U) AgCouns and EconOff met with a prominent biotech corn grower in Catalonia on November 13 who was concerned about the proposed decree but not concerned enough to become more actively engaged against it. He seemed to think he could find a way to go on growing biotech corn despite the decree.

AgCouns and EconOff also met in Aragon on November 13 with a organic farming advocate and a cooperative farm advocate. Predictably, the organic farmer was all in favor of the decree, while the cooperative farm representative was more nuanced in his comments because he represents conventional, biotech and organic farmers. They both seemed to think though that the 220 meter requirement would not mean the end of biotech farming in Spain. Comment: Our sense is that the biotech farmer simply felt he could somehow finesse the decree if it passes in its current form, although, he was at pains to show that he complied with Catalonia's voluminous agricultural documentation requirements. We are not sure what to make of this, but we think that strong farmer support for biotech, as well as seed company and USG advocacy, are necessary to get a better coexistence decree. Ambassador is following up with a letter to President Zapatero's outgoing Economic Adviser Miguel Sebastian.

#### Basrah Children's Hospital Update

15. (SBU) The Spanish Agency for International Cooperation (AECI - Spain's USAID equivalent) informed the Embassy November 22 that Spain would sign a legal instrument with UNDP in New York City this same day that would finalize Spain's transfer of USD 22 million for the Basrah Children's Hospital. AECI believes the Spanish funds will arrive in the designated UNDP/IRFFI account by November 30. Over the course of the last week, the Embassy obtained a copy of the

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Spain-UNDP agreement as well as the names of the UNDP officials managing both the Spanish funds transfer and the eventual passage of these funds to the U.S. Army Corp of Engineers. U.S. officials are using this information to negotiate the requisite arrangement between the USG and UNDP/IRFFI to allow the Spanish funds to be passed to the U.S. Army Corps of Engineers prior to the Army's December 15 deadline.

#### Spain Grants A&T Status to CSI Agents

16. (U) On November 10, Post received a diplomatic note from the Ministry of Foreign Affairs announcing the GOS, intent to grant administrative and technical diplomatic status to the Container Security Initiative agents to be posted to Spanish ports. Econ successfully renegotiated this agreement, which had recently been rejected by the Ministry of Industry and Spain's Tax Authority, Econ had negotiated an original agreement in 2005. DHS now hopes to have the CSI agents in the ports of Algeciras, Barcelona, and Valencia by the beginning of 2007.

AGUIRRE